

23 April 2024

Global Markets Research

Daily Market Highlights

23 April: Easing geopolitical risk premium supported sentiment

DXY, shorter-term UST yields closed mildly lower ahead of corporate earnings & key data
PBoC maintained lending rates to support yuan; CNY closed flattish while CSI 300 fell
S&P set to release PMIs for the majors today; Australia's PMI composite at its 2-year high

- US equities recovered its footing and ripped higher on Monday ahead of this week's heavy slate of earnings and economic data, supported by easing geopolitical risks in the Middle East and a drop in shorter-term Treasury yields. The three indices closed up between 0.7-1.1% d/d with artificial intelligence standouts like Nvidia, Arm Holdings and Alphabet amongst stocks that recovered. Tesla shares, nonetheless, slid ahead of its earnings and as Wall Street fretted over its price cuts and layoffs. Other companies reporting earnings this week include Meta Platforms, American Airlines, Microsoft and Alphabet.
- Similarly, European markets started the week on a positive note, with FTSE 100 rallying 1.6% d/d to notch record close and Shell Plc as well as BP Plc accounting for almost half of these gains. Asian markets also rebounded from Friday's sell-off, although CSI 300 slipped after its loan prime rates announcement, making it the only major Asian market down on Monday. Tracking the US equity markets and futures, Asian stock markets are set to open higher today.
- Treasury yields were little changed (-2 to +1bps) as investors await key US economic data later in the week, but the 2 and 10Y slid 1bps each to 4.97% and 4.61% respectively. With the exception of the Norwegian bonds, 10Y European bond yields fell between 1-9bps.
- The Dollar closed little change, with the DXY marginally lower by 0.1% d/d to 106.08. Risk sensitive commodity currencies like NZD, AUD and CAD (+0.4-0.5% d/d) led G10 gainers amidst rising industrial metal prices. Regional currencies also closed mixed against the greenback, with KRW, PHP and MYR the leading gainers (strengthened by 0.1-0.2% d/d).
- Oil edged lower between 0.3-0.4% d/d as geopolitical premium from the conflict in the Middle East continued to fade after Tehran said that Israel received the "necessary response at this stage." The US House, meanwhile, approved new sanctions on Iran's oil sector and this will now be handed over to the Senate to pass.

PBoC maintained lending rates to support the currency

- As widely expected, the People's Bank of China (PBoC) maintained the 1Y- and 5Y loan prime rates unchanged at 3.45% and 3.95% respectively, to support yuan which has been under increasing pressure from scaled back expectations of Fed rate cut expectations. While we do not discount a rate cut going forward, this is not our base case scenario given the more recent positive, albeit still soft signs in the economy.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,239.98	0.67
S&P 500	5,010.60	0.87
NASDAQ	15,451.31	1.11
Stoxx Eur 600	502.31	0.60
FTSE 100	8,023.87	1.62
Nikkei 225	37,438.61	1.00
CSI 300	3,530.91	-0.30
Hang Seng	16,511.69	1.77
Straits Times	3,225.17	1.53
KLCI 30	1,559.59	0.78
FX		
Dollar Index	106.08	-0.07
EUR/USD	1.0655	-0.01
GBP/USD	1.2350	-0.16
USD/JPY	154.85	0.14
AUD/USD	0.6450	0.50
USD/CNH	7.2507	-0.01
USD/MYR	4.7768	-0.13
USD/SGD	1.3620	0.03
Commodities		
WTI (\$/bbl)	82.85	-0.35
Brent (\$/bbl)	87.00	-0.33
Gold (\$/oz)	2,332.20	-2.76
Copper (\$\$/MT)	9,829.50	-0.47
Aluminum(\$/MT)	2,670.50	0.06
CPO (RM/tonne)	4,100.00	-1.81

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 19 April for CPO

Improved and better than expected CFNAI in the US

- The Chicago Fed Nat Activity Index came better than expected at +0.15 in March (Feb: +0.09), suggesting that economic growth gathered pace during the month. Two of the four broad categories of indicators increased m/m (employment and sales, orders & inventories) and two categories made positive contributions (production and employment) during the month.

Broadly stable Eurozone's consumer confidence

- Consumer confidence was broadly stable in March and improved less than expected to -14.7 (Feb: -14.9). Nonetheless, the index at this level remains well below the long-term average and as such, we do not expect any significant recovery in its consumer spending soon.

Australia's S&P PMI accelerated to its fastest pace since April 2022

- The expansion in Australia's private sector activity accelerated to its quickest pace since 2022 in April (53.6 vs 53.3), supported primarily by the service sector (54.2 vs 54.4) while manufacturing conditions improved and stabilised (49.9 vs 47.3). The price indicators were up slightly, suggesting sticky inflationary pressures, while businesses continued to invest and hire even as consumers remain cautious. As it is, the improvement over the last 3 months points to a cyclical recovery in the economy, although possibly below its long-term trend, and thus are inconsistent with interest rate cuts at this point of time.

Malaysia's foreign reserves fell slightly

- Foreign reserves retreated \$0.4bn to \$113.4bn as of mid-April (2H of Mar: +\$0.4bn). The reserves position is sufficient to finance 5.6 months of imports of goods and services, and is 1.0 times of the total short-term external debt.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-108	103.44	102.41	101.38	100.37
EUR/USD	1.05-1.08	1.09	1.10	1.08	1.07
GBP/USD	1.23-1.26	1.27	1.28	1.27	1.25
USD/JPY	152-156	148	145	142	140
AUD/USD	0.63-0.66	0.66	0.67	0.67	0.68
USD/MYR	4.75-4.80	4.68	4.63	4.56	4.49
USD/SGD	1.35-1.38	1.34	1.32	1.31	1.30

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	4.75-5.00	4.50-4.75	4.50-4.75
ECB	4.50	4.25	3.75	3.50	3.50
BOE	5.25	5.25	4.75	4.50	4.50
BOJ	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
RBA	4.35	4.35	4.35	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
23-April	JN Jibun Bank Japan PMI Mfg (Apr P)	48.2
	JN Jibun Bank Japan PMI Services (Apr P)	54.1
	SI CPI YoY (Mar)	3.40%
	EC HCOB Eurozone Manufacturing PMI (Apr P)	46.1
	EC HCOB Eurozone Services PMI (Apr P)	51.5
	UK S&P Global UK Manufacturing PMI (Apr P)	50.3
	HK CPI Composite YoY (Mar)	2.10%

	UK S&P Global UK Services PMI (Apr P)	53.1
	US Philadelphia Fed Non-Manufacturing Activity (Apr)	-18.3
	US S&P Global US Manufacturing PMI (Apr P)	51.9
	US S&P Global US Services PMI (Apr P)	51.7
	US Revisions: Retail Sales	0.70%
	US New Home Sales MoM (Mar)	-0.30%
	US Richmond Fed Manufact. Index (Apr)	-11
	US Richmond Fed Business Conditions (Apr)	-8
24-April	JN PPI Services YoY (Mar)	2.10%
	AU CPI YoY (Mar)	3.40%
	US MBA Mortgage Applications	3.30%
	US Durable Goods Orders (Mar P)	1.30%
	US Cap Goods Orders Nondef Ex Air (Mar P)	0.70%

Source: Bloomberg

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